

MORE THAN GOOD TELEVISION.



1986 Annual Report



Once considered almost a novelty, non-commercial, educational television has become an accepted part of a personal learning process for thousands of British Columbia residents. Similarly, the **need** for “good television” has now evolved into a **demand** for more family and children’s programming, an increased selection of degree and diploma telecourses, network productions that better reflect specific regions of British Columbia and the development of innovative telecommunication services to facilitate education at work, at home and at school. In meeting the diverse demands of its viewers, Knowledge Network now delivers much more than “good television”.

87-01635/

CORPORATE INFORMATION

Executive Offices

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Victoria, B.C.
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(604) 721-5669

Operations Centre

2206 East Mall,
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(604) 224-6511
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Bankers

Bank of Montreal

Auditor

Auditor General for British Columbia

Chairman

Walter G. Hardwick

President

Glen M. Farrell

Treasurer

Don M.E. Hamilton

Secretary

David Roach

Officers

Kathleen Forsythe, Executive Director,
Learning Systems
David W. Roach, Executive Director,
Network Services

MORE THAN GOOD TELEVISION.

DEFINING GOALS TO MEET CHANGING NEEDS.

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The Honourable Brian Topp,
Minister of Post Secondary Education
& Parliamentary Services
Vancouver, B.C.

Dear Mr. Topp:

On behalf of the Board of Directors, I am pleased to present to you the Annual Report of the Knowledge Network, a West Coast communications Authority.

In submitting this Annual Report, I am proud to announce that, since its inception, Knowledge Network has broadened its coverage and increased its audience. The network of television channels has grown substantially. The Knowledge Network is now a vital part of the cultural and educational landscape of the West Coast. Learning is the key to a better future, and the Knowledge Network is committed to providing the best possible educational and cultural programming to the West Coast.

During this year, I have seen the progress of the Knowledge Network, and I am proud to see the many opportunities it has provided. We are committed to the success of the Knowledge Network, and we are committed to the success of the West Coast. We are committed to the success of the West Coast, and we are committed to the success of the West Coast. We are committed to the success of the West Coast, and we are committed to the success of the West Coast.

I am proud to see the progress of the Knowledge Network, and I am proud to see the many opportunities it has provided. We are committed to the success of the Knowledge Network, and we are committed to the success of the West Coast.

Yours truly,

Walter G. Hardwick

Walter G. Hardwick

Chairman

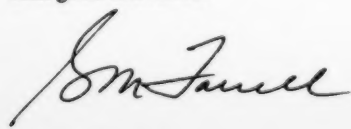
PRESIDENT'S MESSAGE.

T Additionally, an annual report records an organization's activities over one twelve-month period. In that respect, the 1986 Knowledge Network Annual Report is no exception. However, the Network's ambitious objectives and the innovative plans now being formulated to reach those objectives, dictate that this report include a glimpse of the near future, as well as providing an examination of the immediate past.

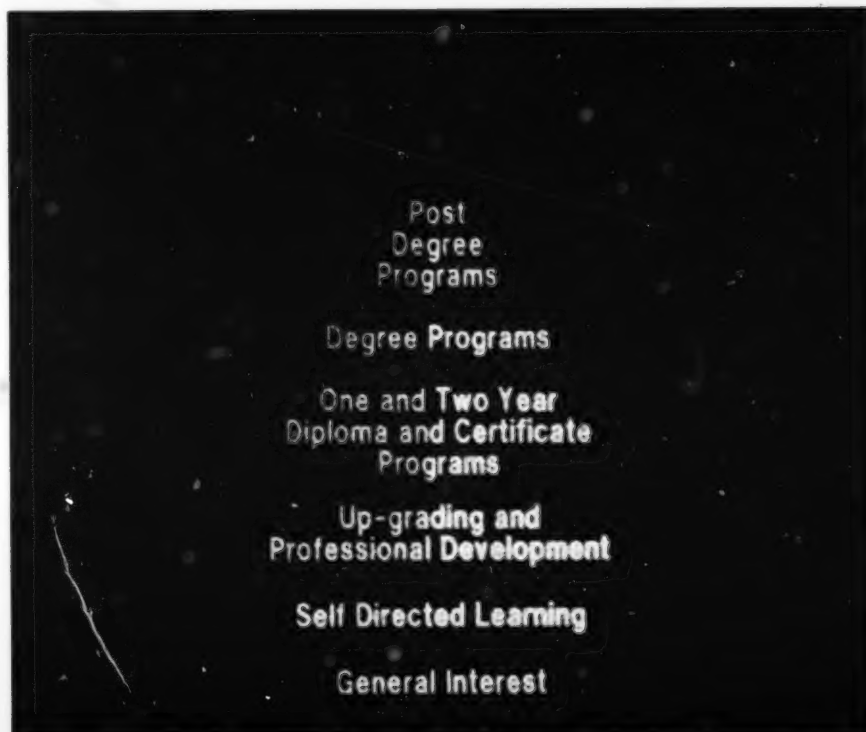
1985 has been a year of transition for the Knowledge Network. Since assuming the Office of President in September, I have had the pleasure of assisting the Network's dedicated management and staff as they begin to broaden the Network's mandate from that of "delivery system" to that of a multi-purpose tele-communications organization. Perhaps Kathleen Forsythe, Executive Director, Learning Systems, put it most succinctly:

"For the first five years, the Knowledge Network had to prove that it **deserved** to survive. We've done that. Now, we are working toward larger goals."

These goals include the development of new communications services that will provide training, information and education wherever they are needed, in schools, institutions and in the workplace. Providing viewers with a wider scope of programming in every sector of the "Programming Pyramid" is an on-going commitment. As the contents of the 1986 Annual Report demonstrate, the Knowledge Network is making good on its promise to provide British Columbia with "More than good television."



Glen M. Farrell



GOOD TELEVISION BECOMES A REALITY.

It was cause for celebration.

"We applied for a PEETS grant in May, 1981. By January, 1982, we were on the air and it was great!"

The neighbourhood canvassing and letterwriting campaigns, site acquisition and preparation had all paid off. Through "the technological magic" of satellite communications, the Knowledge Network "tree of knowledge" logo was glowing out from TV sets all over Salmon Arm.

Throughout the first years of the 1980s, the North Okanagan centre's experience was repeated in community after community, as the unique educational network began to "shrink" time and distance, factors that remain primary barriers to communication and understanding. The Knowledge Network was viewed primarily as a **delivery system**; a carrier of educational programming. In those early years of service, B.C.'s more remote communities often defined "good television" in basic terms: a clear and continual Knowledge Network signal!



THE DEFINITION CHANGES.

All over the province, "Good Television" is something more than "signal delivery." "Good television is **alternate** television; it is **educational** television, seen on a regular, non-commercial basis. It is also an opportunity for those living hundreds of miles away from a university or college to obtain diplomas and degrees.



However, "Good Television" can mean something more than educational programming. To students enrolled in telecourses, for example, it also means **interactive** communication. Even though classmates are hundreds of miles apart from each other, "more than good television" means they can communicate electronically.

KEEPING PACE WITH CHANGING NEEDS.

By early 1985, many of the Knowledge Network's original objectives had been achieved. Now it was time to set some new targets. Network executives began with a simple question: "What does the public want?" In addition to posing the question amongst themselves, they listened to the public. Program Development Manager, Michael Reddington, was among those who tabulated the answers.

"They wanted science-and-technology programs, cultural and 'how to' programs," Michael explains. "They wanted to learn, but didn't necessarily want to learn formally."



Co-production in progress: TV Ontario Producer Richard Konwick (L) discusses script changes with Michael Reddington, Manager, Program Development.



Children's series, "Tom Grattan's War"; education through entertainment.

It has become clear that the public was looking for **General Education** programming as a start to lifelong learning. To an extent, survey results reinforced views held by, among others, Executive Director, Learning Systems, Kathleen Forsythe. "... the public **really liked** these things. We made one of our primary goals, 'to develop the use of the Knowledge Network for families and children'."

Natural World, Children Of Fire Mountain, Live At The Met and dozens of others have met the public's demand for more "General" programming.



Kathleen Forsythe, Executive Director, Learning Systems: "We're broadening the educational scope of the Network."

GOOD TELEVISION... GOOD PROGRAMMING.



In its first years, the Knowledge Network filled much of its "programming pyramid" through the purchase or rental of series and features. The film and video productions of national and international producers is still an important source of Network programming. However, the Network realized that, to truly reflect regional needs, purchases would have to be supplemented to a far greater degree with **production**. From its inception, the Knowledge Network has worked with colleges and universities in telecourse preparation, and in 1985, the scope of "co-production" was broadened. In addition, production in the community and government sector is expanding to provide more opportunities for B.C. agencies to respond to regional needs.



Pre-production planning. *Inset upper left:* Michele Welsh with Bruce Murphy, Producer, Access Alberta. *Inset, upper right:* Russ Pacey, Program Co-ordinator, Camosun College, Victoria. *Inset, lower right:* Maureen MacDonald, Independent Producer.



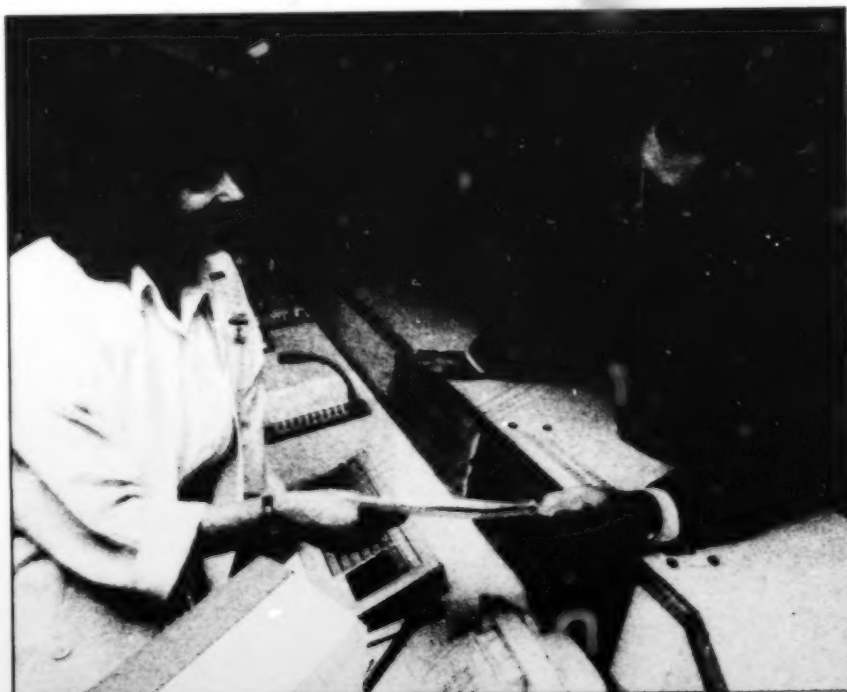
Alexandra MacGregor, Manager, Program Development

"Now we're working together with other agencies, not just educational institutions," explains Alexandra MacGregor, Manager, Program Development. Co-productions occur not only in academic areas, but in general interest areas. In series as diverse as **The Truth About Arthritis** (co-produced with the Canadian Arthritis Society) and **Contemporary Art In Canada** (co-produced with the Emily Carr College of Art and Design), material adapted from other sources is combined with material produced by the Knowledge Network.



Knowledge Network cameras and crews travel throughout British Columbia to capture natural and cultural regional highlights.

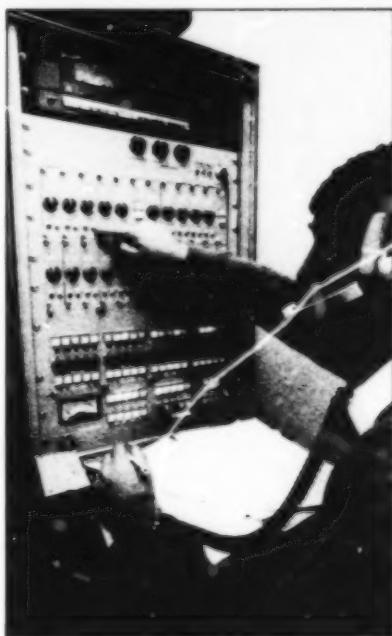
The regions served by the Network have been reflected in another way. Operations Manager Ron Harrington and the Network's production crews explored areas of British Columbia, and the places and people captured by their cameras became source material for **B.C. Moments**, **B.C. Festivals** and the imaginative Network identification program. "They reflect the regions and the seasons," says Ron, "the environment of our learners and viewers. They're 'slices of life'. People are pleased that they have the opportunity to show others what their region is like."



Ron Harrington, Manager, Operations, talks over production ideas with free-lance Producer Elaine Gans.

MORE SERVICES.

By 1985, it was very apparent that the Knowledge Network was far more than just a television station. The contrast between the Knowledge Network and other television broadcasting operations is most obvious in the area of "Teleconferencing." Having established a successful schedule of telecourses, Knowledge Network went one step further, offering **two-way** communication, such as audio conferencing.



Michael Potter manages a teleconference.



Interactive TV: "... call our toll-free number now ..."



The Knowledge Network continues to strive for additional ways to bring instructors and students **together**. Often, as in telecourses like **Introduction To Psychology**, there is an additional need for **group** discussion, in addition to an interchange between individuals.

In Engineering and Math studies, students need to **see** as well as be heard. New, narrow-cast technology, combining both audio and video capabilities offers possibilities of enhancing the Network's teleconferencing services. Innovative services like these come about, not through technological breakthroughs, but, rather, the **needs** of viewers.

Some of those needs are very specialized. In 1985, the work of the Knowledge-West Communications Corporation, a service dedicated to providing closed circuit, interactive television and data transmission, continued its work with hospitals and universities.



David Roach, Executive Director, Network Services: "Our *needs first* philosophy helps drive the Knowledge Network's technology innovation."

"We are an applications driven network. We don't look at technology for the sake of technology," emphasizes David Roach, Executive Director, Network Services. "That philosophy is one of the Network's most important features." In an era highlighted by technical marvels marketed solely on the basis of being "new and exciting", this "needs first" philosophy has helped make the Knowledge Network a model emulated by other organizations around the world.



MORE THAN GOOD TELEVISION.

REACHING THE GOALS.



PUTTING MORE HOURS IN A DAY.

As gratified as the Network was by the public's growing desire for more General Programming, it also faced an additional demand for more university and college level programming. "We have reached a point where we have more programming demand than we

can handle," says Michael Reddington. One possible solution: an expansion of the broadcasting day.

The usual 9 a.m. sign-on is likely to be pushed back to 6:30 each morning of the week. The expansion will include an extra hour of children's programming.

The Knowledge Network set out its new objectives formally in May, 1985: a deceptively simple single-sheet listing of nine objectives. Phrases like, "To develop the use of . . ." and, "To take the initiative in . . ." carried great significance. If the far-reaching goals were to be met, some changes would have to be made.



A segment of a new series is previewed with a critical eye. Content, production values and presentation must meet the Network's own high standards.

SPREADING THE WORD.

New telecourses, additional children's features and more general interest programming will have the Network's Manager, Public Affairs, Glen Mitchell, redoubling his efforts to publicize and promote the schedule's additions. The secret is making television publications like *TV Week* and *TV Guide* "spread the word" for the Network.



Glen Mitchell, Manager, Public Affairs (L) and Dave Peressini develop a new advertising campaign. "Most people know about the Network now, and they like us!"

"We've made a concerted effort to target our material to the people who write about television on a regular basis. You've got to convince these people," Mitchell explains. Through the efforts of Glen Mitchell and others, the Network is regarded as an important television service, and now receives its share of attention in local, regional and national television publications. In addition, the Public Affairs department publishes the twice-yearly Program Guide and creates and administers advertising campaigns and the promotional material run on the Network itself.



REORGANIZATION.

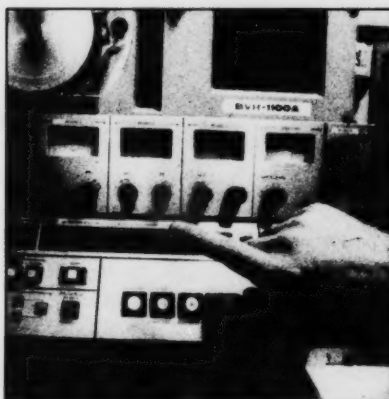
As the Network works towards its new objectives, the effects will be felt throughout the organization. The expanded daily schedule, for instance, appears to be a simple solution to a programming dilemma. But that "simple solution" will actually be a major change, with direct and immediate effects on the Operations area. For Ron Harrington's staff, the new schedule will mean almost around-the-clock activity. Nor will the changes be limited to the operations and programming areas.



"We are reorganizing on almost every level," says David Roach, "to meet the new objectives and to support our 'program pyramid'. Equipment . . . personnel . . . financial; it's all affected." Logistical problems are compounded by financial reality. The Knowledge Network is in no position to merely hire more people. The alternative is "financial reallocation."



David Roach (L) with Bruce Matthews, Acting Manager, Finance: redirecting financial resources to reach Network objectives.



Mid-way through the year, Bruce Matthews assumed responsibility for financial administration as Acting Manager, Financial Services. He assists Managers in allocating funds in each of the Network's key areas. The Network continued to seek corporate sponsorship in an effort to maintain quality programming.

DEDICATED PEOPLE.

More telecast "hours" every day; more promotional activities; more ambitious productions and more technological experiments. It has all been achieved on a modest budget, by a small staff of just forty full time employees.

"Take a look at us," says Glen Farrell proudly. People turn us on fourteen hours a day! This is possible because of the dedication and commitment of our people; **dedicated people.**" Echoing Ron Harrington's experience, he adds, "when you go around the province, you discover the Network has become very important to British Columbians. That's not any **one person's** work. It's everyone here."

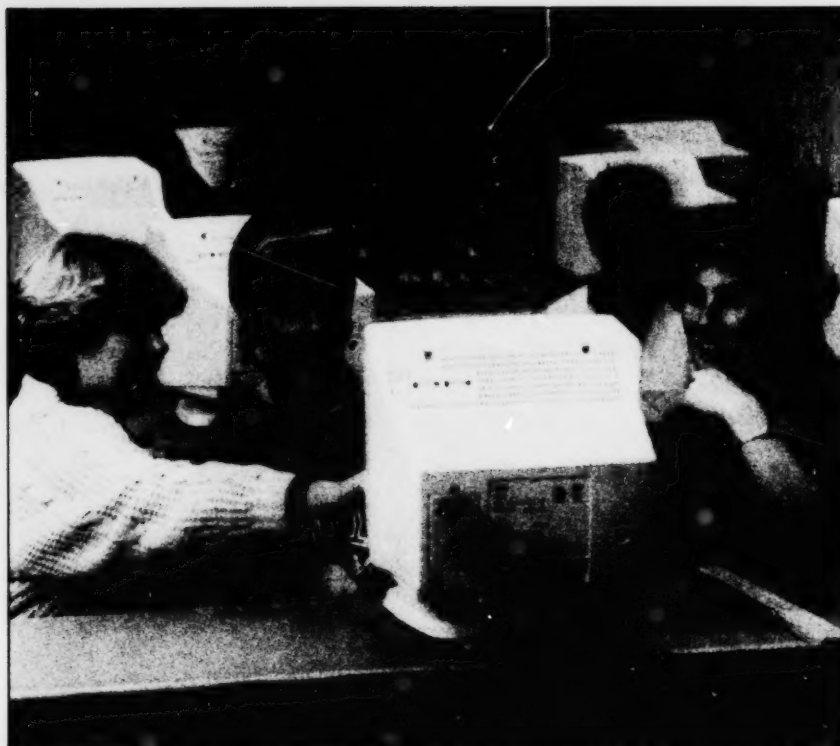
... AND IN THE FUTURE.

The arrival of Dr. Glen Farrell as the Network's first full time President signalled other changes in management structure. Under the guidance of newly designated "Development Directors", Kathleen Forsythe and David Roach, special task groups plan strategies for reaching objectives.

As Chairman of the Network's Strategic Technical Planning Committee, David Roach is responsible for leading his group in their investigations of digital, audio and video communications, to satisfy the present and future needs of British Columbians. In pursuing these ambitious objectives, the Knowledge Network is, indeed, providing much more than "Good Television".

An example of the future at the public school level is in Saanich where it will soon be possible for Saanich Junior Secondary School students to communicate electronically with their counterparts in a city in California and Maryland. The communication will be undertaken instantly, easily, from their personal classroom "workstations".

Today, it is a pilot project, but tomorrow, Kathleen Forsythe is positive that a "Schools Network" will be a reality, connecting students and teachers together for education. "It'll bring Canadian Social Studies to life in a way that is dynamic. Why study B.C. out of a book," Kathleen asks, "why not connect to the people and places you study?"



Kathleen Forsythe (R), watches Saanich teacher Kathy Demchuck (L) introduce student Chelsea Ballantyne to new classroom technology.

Another example of innovation is the new "Discovery Training Network" now in the development stages which could make employment-related training available on a local level. This will help both employees and employers ready themselves for economic prosperity.

The significance of these innovative ideas go far beyond Canada's borders. "We're fostering a new industry," says Glen Farrell, "because we're sure there are needs elsewhere in the world. We haven't even begun to touch the possibilities of telecommunications to be of educational service."

Through an initiative undertaken by the provincial government, the Network has devoted much time and energy to the formulation of **The Open Learning Authority** to bring together both the Network and The Open Learning Institute. The new organization will result in an integrated approach to planning, production and delivery of educational communications. It is expected that the Knowledge Network will bring to that organization both its wealth of valuable experiences, and its energetic quest for new ways to provide "More than good television" to future generations wanting to learn.

THE KNOWLEDGE NETWORK STATEMENT OF GOALS

THE 'BLUEPRINT' FOR MORE THAN GOOD TELEVISION

To develop the Knowledge Network as a province-wide television system.

To develop the use of the Knowledge Network for business and industry.

To develop the use of the Knowledge Network for general educational and personal development purposes. To achieve these initiatives, the Knowledge Network will seek an educational institution or agency as a co-sponsor in order to provide additional opportunities to promote further participation in the educational system.

To work cooperatively with a ministry of government, colleges, institutes and universities to create a planned and systematic use of telecommunications services as a component of the delivery of diploma, certificate and degree level courses.

To develop the use of telecommunications through the Knowledge Network by the schools of the province for the benefit of the whole school community.

To cooperate in the development of a network of home learning centres to enable full utilization of the learning system available through the telecommunications system of the Knowledge Network.

To develop and secure a broad-based revenue base.

To examine the social and economic implications of the Knowledge Network.

To secure the long-term development of the Knowledge Network as a province-wide system.

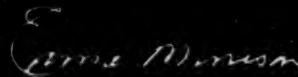
AUDITOR'S REPORT

To the Chair and Members of the Board of the
Knowledge Network of the West Communications Authority, and

To the Minister of Post-Secondary Education
Province of British Columbia

I have examined the consolidated balance sheet of Knowledge
Network of the West Communications Authority as at 31 March 1986
and the consolidated statements of revenue, expenditure and surplus
and changes in financial position for the year then ended. My
examination was made in accordance with generally accepted auditing
standards, and accordingly included such tests and other procedures
I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly
the financial position of the Authority as at 31 March 1986 and the
results of its operations and the changes in its financial position for
the year then ended in accordance with generally accepted accounting
principles, application of which is consistent with that of the preceding
year.



Peter Morrison, F.C.A.
Auditor General

Vancouver, British Columbia
15 May 1986

CONSOLIDATED BALANCE SHEET as at 31 March 1986

Assets		1986	1985
Current assets	Cash and short-term deposits	\$ 479,875	\$ 609,488
	Accounts receivable	56,873	54,528
	Interest receivable	1,593	1,621
	Prepaid expenses	11,524	10,000
		549,865	675,637
Investment and advances (Note 3)		1,562,477	1,772,416
Fixed assets (Note 4)		1,401,578	1,452,340
		\$3,513,920	\$3,900,393
Liabilities and Surplus			
Current liabilities	Accounts payable and accrued liabilities	\$ 364,579	\$ 88,994
	Current portion of deferred user fees	18,720	8,320
		383,299	97,314
Deferred user fees		24,960	33,280
		408,259	130,594
Surplus		3,105,661	3,769,799
		\$3,513,920	\$3,900,393
Agency funds (Notes 5 and 8)			
The accompanying notes are an integral part of these financial statements.		\$ 268,140	\$ 29,800

Approved by the Board

Walter G. Hardwick

Director



Director

CONSOLIDATED STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS For the year ended 31 March 1986

		1986	1985
Revenue	Grants – Province of British Columbia	\$3,709,516	\$3,352,112
	User fees (Note 6)	98,565	99,163
	Interest	38,237	72,709
	Other	20,522	10,536
		3,866,840	3,534,520
Expenditure	Administration	1,024,301	838,197
	Learning systems	220,169	200,146
	Network operations	873,959	954,115
	Open University Consortium	10,000	42,130
	Public affairs	301,976	324,497
	Research and development	–	4,067
	Satellite	1,065,871	1,055,356
		3,496,276	3,418,508
Excess of revenue over expenditure before depreciation and amortization		370,564	116,012
Depreciation and amortization		748,685	667,094
Excess of expenditure over revenue in Authority		378,121	551,082
Share of deficit in joint venture		286,017	288,363
Excess of expenditure over revenue		664,138	839,445
Surplus, beginning of year		3,769,799	4,609,244
Surplus, end of year		\$3,105,661	\$3,769,799

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION For the year ended 31 March 1986

Sources (uses) of Cash		1986	1985
Cash from operations	Excess of expenditure over revenue	\$ (664,138)	\$ (839,445)
	Items not involving cash:		
	Depreciation and amortization	748,685	667,094
	Share of deficit in joint venture	286,017	288,363
	Gain on disposal of fixed assets	(5,500)	–
	Write-down of investment	1,545	–
	Cash generated from operations before changes in operating working capital	366,609	116,012
	Changes in operating working capital:		
	Accounts receivable	(2,345)	(45,715)
	Grants receivable	–	214,598
	Interest receivable	28	2,005
	Prepaid expenses	(1,524)	89,139
	Accounts payable and accrued liabilities	275,585	(80,120)
	Holdback payable	–	(7,058)
	Current portion of deferred user fees	10,400	8,320
	Cash provided by operating activities	648,753	297,181
Financial Activities	Deferred user fees	(8,320)	33,280
Investment activities	Fixed asset additions	(697,923)	(627,891)
	Proceeds from sale of fixed assets	5,500	3,500
	Investment in joint venture	(77,623)	(95,038)
	Advance to Discovery Satellite		
	Network incorporated	–	(224)
	Investment in Pacific Economic Review Institute Society	–	(1,716)
	Cash used in investment activities	(770,046)	(721,369)
(Decrease) in cash		(129,613)	(390,908)
Cash, beginning of year		609,488	1,000,396
Cash, end of year		\$ 479,875	\$ 609,488

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 March 1986**1. Nature of the Authority**

The Authority was incorporated on 29 May 1980, under the provisions of the Society Act of British Columbia. The objects of the Authority are to assist and collaborate with universities, colleges, provincial institutes, school districts, ministries and agencies of the Province of British Columbia in the development and delivery of educational programs and materials, and to establish, maintain and operate a telecommunication network.

2. Significant accounting policies

a) Principles of consolidation

The accounts of the Authority are consolidated with those of its wholly-owned subsidiary Knowledge-West Communications Corporation. All inter-company transactions have been eliminated in these consolidated financial statements.

The investment by Knowledge-West Communications Corporation in a joint venture, Knowledge West Partnership, has been accounted for in these financial statements on an equity basis.

b) Depreciation and amortization

The Authority records fixed assets at cost and depreciates or amortizes them using the straight line method over their estimated useful life as follows:

Furniture and equipment	Over ten years
Earth stations	Over five years
Network equipment	Over five years
Programs	Over five years
Tapes	Over five years
Leasehold improvements	Term of lease
License agreements	Life of the respective agreement

3. Investment and advances

	1986	1985
a) Details of the investment in a joint venture, Knowledge West Partnership, accounted for on an equity basis are as follows:		
Advances	2,178,740	2,101,117
Accumulated deficit	(632,443)	(346,426)
	\$1,546,297	\$1,754,691
b) Advance to Discovery Satellite Network Incorporated	16,009	16,009
c) Investment in Pacific Economic Review Institute Society	171	1,716
	\$1,562,477	\$1,772,416

Summary financial information relating to the proportionate share of the joint venture is as follows:

	1986	1985
Current assets	\$ 4,766	\$ 5,987
Fixed assets	1,556,680	1,748,704
	1,561,446	1,754,691
Current liabilities	15,149	-
Equity	\$1,546,297	\$1,754,691
Expenditures	\$ 90,794	\$ 93,340
Depreciation	195,223	195,023
	\$ 286,017	\$ 288,363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 31 March 1986**4. Fixed assets**

	Cost	Accumulated depreciation/amortization	1986 Net book value	1985 Net book value
Furniture and equipment	\$ 338,483	\$ 107,075	\$ 231,408	\$ 241,269
Earth stations	84,131	84,130	1	1,192
Network equipment	1,431,714	1,104,800	326,914	578,614
Programs	124,595	60,321	64,274	52,073
Tapes	269,300	166,660	102,640	117,371
Leasehold improvements	210,007	202,782	7,225	51,133
Licence Agreements	1,103,374	434,258	669,116	410,688
	\$3,561,604	\$2,160,026	\$1,401,578	\$1,452,340

Licence agreements with cost and accumulated amortization of \$361,835 (1985 - \$36,880) expired during the year, and have been eliminated from the accounts. Amortization charged in the year in respect of such agreements amounted to \$194,308 (1985 - \$167,527).

5. Agency funds

Funds are held by the subsidiary company, Knowledge-West Communications Corporation, under an agreement to provide accounting services for the Faculty of Medicine, University of British Columbia.

6. User fees

During the year, a College was given access to Network studio facilities at no cost. The demonstration programs that resulted are being used to encourage other colleges to utilize the Network. Revenue of \$26,000 (1985 - \$10,000) would have been earned had the Authority charged for these programs.

7. Contingency and commitments

a) At 31 March 1986, the Authority has outstanding commitments of \$12,905 (1985 - \$59,672) for approved projects and programs.

b) The minimum annual contractual obligations of operating leases are as follows:

1987	\$28,000
1988	11,200
1989	7,800
1990	2,400
1991	—

c) A claim has been filed against the Authority in the amount of \$108,000 by a former employee. The amount of the settlement is not reasonably estimable, and depends on the outcome of the action. A provision has been made in the accounts of the authority at 31 March 1986, which management believes will be adequate to offset any liability arising on the resolution of the matter.

8. Subsequent events

- a) The disbursement of the agency funds has been the subject of ongoing negotiations as at the date of the auditor's report.
- b) During the 1986 spring session of the British Columbia Legislature, the Government introduced the Open Learning Authority Act (Bill 31). The Act received first reading on 29 May 1986, but will only become law if or when it receives second and third readings. It will come into force by regulation of the Lieutenant Governor in Council. The Act provides for dissolution of the Knowledge Network of the West Communications Authority and the Open Learning Institute, and the transfer of all property, rights, debts and obligations to the Open Learning Authority. The date of dissolution may be set by order of the Lieutenant Governor in Council.

9. Comparative figures

Certain 1985 figures have been restated in order to conform with financial statement presentation adopted in 1986.

AUDITOR'S REPORT

To the General Members of the Board of Directors
Knowledge West, Inc., a Delaware Corporation

During My Office as Past Secretary, Education
Department of Knowledge West, Inc.

I have examined the evidence sheet of Knowledge West, Inc. and the Corporation as at 31 March 1986 and the statement of its assets, liabilities, and net worth, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the financial statements present fairly the financial position of the Corporation as at 31 March 1986 and the results of its operations and transactions in its financial position for the year then ended, in conformity with generally accepted accounting principles, and the same are consistent with that of the preceding year.

James H. Hruska

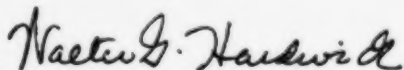
James H. Hruska, C.A.
Auditor General

James H. Hruska, C.A.
March 1986

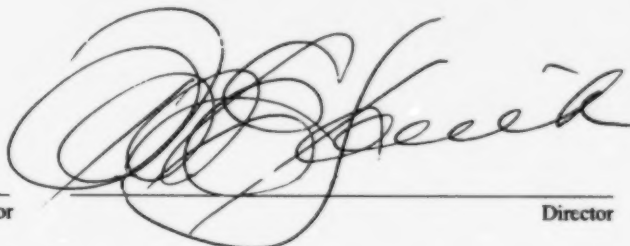
BALANCE SHEET as at 31 March 1986

Assets		1986	1985
Current assets	Cash	\$ 25,416	\$ 7,022
	Accounts receivable	1,980	3,360
		27,396	10,382
Investment in joint venture (Note 3)		1,546,297	1,754,691
Fixed assets (Note 4)		50,998	115,851
		<u>\$1,624,691</u>	<u>\$1,880,924</u>
Liabilities and Shareholder's Equity			
Current liabilities	Accounts payable and accrued liabilities	\$ 15,693	\$ 1,542
	Current portion of deferred user fees	8,320	8,320
		24,013	9,862
Deferred user fees		24,960	33,280
Advance from Knowledge Network of the West Communications Authority (Note 5)		2,331,492	2,358,035
		<u>2,380,465</u>	<u>2,401,177</u>
Shareholder's equity (deficiency)	Share capital (Note 6)	3,965	3,965
	Deficit	(759,739)	(524,218)
		(755,774)	(520,253)
		<u>\$1,624,691</u>	<u>\$1,880,924</u>
Agency funds (Notes 7 and 10)			
The accompanying notes are an integral part of these financial statements.			
		<u>\$ 268,140</u>	<u>\$ 29,800</u>

Approved by the Board



Director



Director

STATEMENT OF REVENUE, EXPENDITURE AND DEFICIT For the year ended 31 March 1986

		1986	1985
Revenue	Grants – Province of British Columbia	\$ 120,000	\$ —
	User fees	19,895	3,100
	Interest	5,837	27,207
	Consulting	—	10,000
	Other	4,800	2,800
		150,532	43,107
Expenditure	Administration (Note 8)	6,638	30,579
	Commissions	3,432	—
	Consulting	27,468	9,000
	Legal	5,441	545
	Maintenance	7,772	7,887
	Market development	—	5,415
	Microwave charges	10,535	53,848
	Miscellaneous	1,237	6,119
	Production services	—	9,410
	Telephone	8,588	16,137
	Travel	118	1,562
		71,229	140,502
Excess (deficiency) of revenue over expenditure before depreciation		79,303	(97,395)
Depreciation		28,807	34,636
Excess (deficiency) of revenue over expenditure in Corporation		50,496	(132,031)
Share of deficit in joint venture		286,017	288,363
Excess of expenditure over revenue		235,521	420,394
Deficit, beginning of year		524,218	103,824
Deficit, end of year		\$ 759,739	\$ 524,218

STATEMENT OF CHANGES IN FINANCIAL POSITION For the year ended 31 March 1986

Sources (uses) of Cash		1986	1985
Cash from operations	Excess of expenditure over revenue	\$ (235,521)	\$ (420,394)
	Items not involving cash:		
	Depreciation	28,807	34,636
	Share of deficit in joint venture	286,017	288,363
	Cash generated from (used for) operations before changes in operating working capital	79,303	(97,395)
	Changes in operating working capital:		
	Accounts receivable	1,380	(3,269)
	Accounts payable and accrued liabilities	14,151	(38,450)
	Current portion of deferred user fees	—	8,320
	Holdback payable	—	(7,058)
	Cash generated from (used for) operations	94,834	(137,852)
Financial activities	Deferred user fees	(8,320)	33,280
	Repayment of advance	(26,543)	(130,000)
	Cash used in financial activities	(34,863)	(96,720)
Investment activities	Proceeds from sale of fixed assets	37,078	—
	Fixed asset additions	(1,032)	(69,398)
	Investment in joint venture	(77,623)	(95,038)
Investment activities	Cash used in investment activities	(41,577)	(164,436)
Increase (decrease) in cash		18,394	(399,008)
Cash, beginning of year		7,022	406,030
Cash, end of year		\$ 25,416	\$ 7,022

NOTES TO FINANCIAL STATEMENTS For the year ended 31 March 1986**1. Nature of Corporation**

The company was incorporated on 2 March 1981, under the provisions of the Company Act of British Columbia. Its purpose is to own and operate, on behalf of Knowledge Network of the West Communications Authority, a closed-circuit cable network servicing educational, health and other government facilities.

2. Continuing operations

These financial statements have been prepared on a going concern basis which assumes that the Corporation will be able to discharge its liabilities through its operations.

The continuing operations of the Corporation are dependent upon its ability to obtain additional funding and to operate profitably.

3. Investment in joint venture

The Corporation has entered into a joint venture, Knowledge West Partnership, with Rogers Cable TV - British Columbia Limited to construct and operate an educational telecommunications network. The Corporation contributes 60% of the cable plant costs and 100% of the equipment costs, and proportionate share of related operating costs. Details of the investment in the joint venture accounted for on an equity basis are as follows:

	1986	1985
Advances	\$2,178,740	\$2,101,117
Accumulated deficit	(632,443)	(346,426)
	<u>\$1,546,297</u>	<u>\$1,754,691</u>

Summary financial information relating to the Corporation's proportionate share of the joint venture is as follows:

	1986	1985
Current assets	\$ 4,766	\$ 5,987
Fixed assets	1,556,680	1,748,704
	<u>1,561,446</u>	<u>1,754,691</u>
Current liabilities	15,149	-
Equity	<u>\$1,546,297</u>	<u>\$1,754,691</u>
Expenditures	\$ 90,794	\$ 93,340
Depreciation	195,223	195,023
	<u>\$ 286,017</u>	<u>\$ 288,363</u>

4. Fixed assets

	Cost	Accumulated depreciation	1986 Net book value	1985 Net book value
Network equipment	\$ 122,478	\$ 71,480	\$ 50,998	\$ 115,851

The Corporation records fixed assets at cost and depreciates them using the straight line method over their estimated useful life of five years.

5. Advance

The advance from Knowledge Network of the West Communications Authority has no fixed terms of repayment and bears no interest.

NOTES TO FINANCIAL STATEMENTS *For the year ended 31 March 1986***6. Share capital**

		1986	1985
Authorized			
Class A - 1,000 voting shares, par value \$1			
Class B - 1,000 voting shares, par value \$1			
Class C - 4,000,000 non-voting shares without par value			
Issued and fully paid			
Class A - 1,000 shares	\$1,000		
Class B - 1,000 shares	1,000		
Class C - 1,965,000 shares	1,965		
		\$3,965	\$3,965

7. Agency funds

The Corporation holds funds under an agreement to provide accounting services for the Faculty of Medicine, University of British Columbia.

8. Administrative costs

The parent organization, Knowledge Network of the West Communications Authority, provides certain staff, facilities rental and other administrative services for the Corporation. The cost of these services for the year ended 31 March 1986 amounted to \$56,638 (1985 - \$50,579), of which \$6,638 (1985 - \$30,579) was paid by the Corporation.

9. Commitments

The Corporation has commitments to the joint venture, Knowledge West Partnership, for costs of maintenance and space rental of the cable system. These costs amounted to approximately \$90,000 during the current year (1985 - \$93,000) and the Corporation expects to pay a similar amount in the next fiscal year.

10. Subsequent event

The disbursement of the agency funds has been the subject of ongoing negotiations as at the date of the auditor's report.

11. Comparative figures

Certain 1985 figures have been restated in order to conform with the financial statement presentation adopted in 1986.